

From: [Cortese, Dave](#)
To: [Rombeck, Janice](#)
Subject: FW: Off-Agenda Report in Response to Metro's 2016 Measure A Op-Ed
Date: Tuesday, June 4, 2019 9:02:00 AM
Attachments: [Off-Agenda Report - OpEd 2016 Measure A Affordable Housing Bond.pdf](#)

FYI
MF

From: Suba, MJ <mj.suba@hhs.sccgov.org>
Sent: Monday, June 3, 2019 12:52 PM
To: Wasserman, Mike <Mike.Wasserman@bos.sccgov.org>; Chavez, Cindy <Cindy.Chavez@bos.sccgov.org>; Cortese, Dave <Dave.Cortese@BOS.SCCGOV.ORG>; Ellenberg, Susan <susan.ellenberg@BOS.SCCGOV.ORG>; Simitian, Joe <Joe.Simitian@bos.sccgov.org>; Smith, Jeff <jeff.smith@ceo.sccgov.org>
Cc: Le, Ky <Ky.Le@hhs.sccgov.org>; Rocha, Donald <donald.rocha@BOS.SCCGOV.ORG>; Seaver, Derrick <derrick.seaver@BOS.SCCGOV.ORG>; Stavem, Christine M <christine.m.stavem@BOS.SCCGOV.ORG>; Strickland, Scott <Scott.Strickland@bos.sccgov.org>; Loquist, Kristina <Kristina.Loquist@bos.sccgov.org>; Collins, Michelle <Michelle.Collins@bos.sccgov.org>; Lopez, Evelyn <Evelyn.Lopez@bos.sccgov.org>; Prior, Christine <christine.prior@BOS.SCCGOV.ORG>; Sutherland, Kathy <kathy.sutherland@BOS.SCCGOV.ORG>; Wheaton, Suzanne <Suzanne.Wheaton@bos.sccgov.org>; Marquez, Miguel <miguel.marquez@ceo.sccgov.org>; Williams, James <james.williams@cco.sccgov.org>; Lennear, Tiffany <Tiffany.Lennear@cob.sccgov.org>; Maclean, Jackie <jackie.maclean@hhs.sccgov.org>; Fernandez, Monica <Monica.Fernandez@ceo.sccgov.org>
Subject: Off-Agenda Report in Response to Metro's 2016 Measure A Op-Ed

Honorable Members of the Board of Supervisors and Dr. Smith:

On behalf of Ky Le, Director of the Office of Supportive Housing, please find attached a report clarifying the misinformation included in an editorial published on April 4, 2019 regarding the 2016 Measure A Affordable Housing Bond Editorial.

To avoid discussion of this item among a majority of the Board, please do not hit "Reply to All" with any substantive comments.

Thank you,

MJ Suba

Administrative Assistant to
Ky Le, Director of Office of Supportive Housing

County of Santa Clara
Office of Supportive Housing

3180 Newberry Drive, Suite 100
San Jose, CA 95118

P: 408.793.0544 | F: 408.266.0124

E: MJ.Suba@hhs.sccgov.org

County of Santa Clara

Office of Supportive Housing

3180 Newberry Dr. Suite 150
San Jose, CA 95118
(408) 793-0550 Main
(408) 266-0124 Fax



June 3, 2019

TO: Honorable Members of the Board of Supervisors
Jeffrey V. Smith, County Executive

FROM: Ky Le, Office of Supportive Housing (OSH) 

SUBJECT: 2016 Measure A Affordable Housing Bond Editorial

On April 4, 2019, in the Morgan Hill Times and Gilroy Dispatch published an editorial, which was republished in San Jose Inside. The *Editorial: Unshackle Measure A to Create More Affordable Housing* (Attachment A) criticizes the County's implementation of the 2016 Measure A Affordable Housing Bond (Housing Bond) as, among other things, being overly regulatory by requiring public ownership of land that is developed for affordable housing and claims that more deals would happen if the County supported inclusionary units in mixed income housing projects. This report clarifies the misinformation included in the editorial. Also included as Attachments are three responses to the editorial that were submitted by Somos Mayfair (Attachment B), Destination: Home (Attachment C), and PATH (Attachment D).

Public Ownership

The County does not acquire properties at an additional cost. The cost of the land is included in the total development costs. As part of the County's funding commitment, the County ensures long-term affordability by recording affordability restrictions and obtains control of the land through a purchase and sale agreement (fee title) and enters into a long-term ground lease with the developer. The acquisition is an additional safeguard against a future change in use and affords the Board with the opportunity to influence the future use of the site. For instance, the Board approved funding for the Gilroy Gateway Senior Apartments, the Crossings on Monterey and the Leigh Avenue Senior Apartments. The County's commitment for each development is \$7.5M, \$5.8M and \$13.5M, respectively. When the Board approves actions to acquire the land for one of the Housing Bond-funded projects, the funding to purchase the property is taken from the funding that was previously approved by the Board (see Table 1). Retaining ownership of the land in affordable housing developments is an effective public policy tool that has been practiced by the County and other public agencies, including the City of San Jose.

Table 1: Sources and Use of 2016 Measure A Affordable Housing Bond Funds

Development Name	SOURCE	USES	
	County 2016 Measure A Funding Approved	Acquisition	Construction / Permanent Loan
Gilroy Gateway Senior Apts.	\$7.5M	\$3.6M	\$3.9M
Crossings on Monterey	\$5.8M	\$2.4M	\$3.4M
Leigh Avenue Senior Apts.	\$13.5M	\$3.7M	\$9.8M
Totals	\$26.8M	\$9.7M	\$17.1 M

While the Administration looks at every opportunity for the County to obtain ownership of the land, the Supportive Housing Development Program Guidelines provide the Administration with the flexibility to recommend funding for a development in which the County would not obtain ownership of the land. Of the 19 Housing Bond-funded developments, the County does not and will not own the land in four developments. Some of the reasons why the Administration would recommend a project for funding but not require County land ownership are: 1) the land is already owned by another public agency; 2) another local public agency assisted the developer in acquiring the land, and the same public agency will obtain ownership of the land; 3) the County's acquisition would make the project infeasible; 4) the County's funding commitment is significantly less than the value of the land; and, 5) the private owner of the land is unwilling to sell, but would be willing to enter into a long-term ground lease with the developer at a reasonable cost.

Project-Based Vouchers

Federal Section 8 project-based vouchers (PBVs) are a scarce and important financial tool. The County, the Santa Clara County Housing Authority (Housing Authority), and the City of San Jose have prioritized Section 8 PBVs for the development of permanent supportive housing (PSH) units. All Section 8 subsidies, whether used as PBVs or as Housing Choice Vouchers (HCVs, a form of tenant-based rental assistance) must be drawn from the Housing Authority's current budget. The Housing Authority's PBV and HCV programs are part of the federal budget and subject to annual appropriation, the baseline number of households they are expected to serve is about 16,500 households each year.¹ The Department of Housing and Urban Development (HUD) limits the number of vouchers that can be project based. Even though the Housing Authority has requested that HUD increase the Housing Authority's overall PBV limit to 40% of this baseline, the County should continue to prioritize PBVs for the community's most vulnerable residents such as disabled homeless persons and extremely low-income seniors.

¹ Participants of special voucher programs, such as the Family Unification Program (FUP), are not included in the baseline number of households.

Section 8 PBVs are critical for PSH units because they reduce the rent burden for disabled persons and provide a development with critical operating revenue. According to the National Low-Income Housing Coalition, 73% of extremely low income (ELI) renters in Santa Clara County pay more than 50% of the income towards housing costs. A California resident who is disabled has an income of less than \$1,000 per month. Unfortunately, even in affordable housing developments, a studio that is restricted to ELI households could have a monthly rent of about \$630. Allocating PBVs to PSH units or ELI households with special needs ensures that disabled persons do not face a severe rent burden. The PBV ensures that the resident pays no more than 32% of their income towards rent.

While the residents of PBV-units pay an affordable rent, the PBVs offer the developer rental income that is higher than the “restricted rent” associated with the specific units. The difference between the PBV payment and the restricted rent is referred to as “rent overhang.” In developments with a significant number of supportive housing units, the overhang can be used to provide the property with enough operating subsidy to pay for increased property management, resident services, and, to a limited extent, supportive services.

In addition to benefitting residents and property operations, PBVs are an important financing tool. Since the PBVs can be committed to a project for 20 years, the rent overhang can be capitalized to pay for additional debt service from a bank or another lender. Unlike residual receipt loans from the County or other local government agencies, banks issue hard debt which must be repaid over time from the property’s operating revenue. When a project leverages PBVs to borrow from banks, the developer is essentially using federal funds to repay the bank with interest.

In addition to the costs associated with using the rent overhang from PBVs to repay commercial debt, over reliance on PBVs has other drawbacks. First, as noted above, we have a limited supply of PBVs; a PBV that is unnecessarily allocated to higher-income groups or a development means locally available federal funds cannot be used to support another development or another family who may need the Section 8 funding in the form of an HCV. Second, because the Section 8 program only serves households who are earning 50% or less of the area median income (AMI), allocating large numbers of PBVs to affordable housing units without regard to the target population may result in unnecessary subsidies and reduce housing options for households earning between 51% and 80% of AMI. Finally, some developers want to over subsidize their units with PBVs so they do not have to apply for other funding sources and avoid serving people with the greatest needs. Allocating unnecessary PBVs to projects yields interest to commercial lenders and hinders the County’s ability to develop PSH for persons with disabling conditions and other special needs populations.

In every project, County staff must balance the impact of leveraging other financing sources—thus conserving local capital—and the costs associated with those other sources. Leveraging PBVs for commercial debt may be necessary when local agencies have little or no capital to contribute. Currently the County (and the State) have a significant amount of capital

funding for supportive housing. County staff, in partnership with the Housing Authority, try to allocate PBVs and size the rent overhang to meet the specific needs of each project and ensure that each project does not receive unnecessary subsidies. In some projects, over reliance on PBVs can cost the public more over time. Increasing use of local funds and decreasing reliance on commercial debt can: 1) reduce operating expenses; 2) conserve Section 8 funds; and 3) require local developers to meet local housing priorities.

While it is imperative that Section 8 program resources be conserved to help meet PSH development goals, the Administration is supportive of efforts to use PBVs to meet other important goals. For example, PBVs may be necessary for developments serving disabled households or elderly persons on fixed incomes. The Administration may also consider supporting allocating PBVs to non-PSH units when doing so would result in a true financial benefit to the County and/or other public agencies. The key will be to evaluate each project based on its specific financing needs rather than having a blanket policy that may not optimize public resources.

Implementation Progress

As reported to the Board in December 2018, as opposed to what was said in the editorial, implementation of the Housing Bond is ahead of schedule. Implementation progress has been aided by the partnership between OSH and housing staff from various cities to discuss opportunities to maximize the number of units built and aligning funding requirements. The County's current Notice of Funding Availability (NOFA) allows developers to submit an application for funding over the counter. There are no standing deadlines and OSH works with developers to package a cohort of developments for Board consideration. In addition, OSH works with all of the cities across the County on the timing of their NOFAs and their housing development pipeline to streamline the application review process by the County. For instance, the City of San Jose issued a NOFA in the summer of 2018. Prior to the issuance of the NOFA, OSH and City of San Jose Housing staff met numerous times to align underwriting criteria, priorities, and the use of common review criteria. OSH allowed developers to submit the same application for County Housing Bond funds to avoid having to submit multiple funding applications.

Encls. Attachment A – *Editorial: Unshackle Measure A to Create More Affordable Housing*
Attachment B – Response to editorial by Somos Mayfair
Attachment C – Response to editorial by Destination: Home
Attachment D – Response to editorial by PATH.

Cc: Chief Board Aides
Miguel Marquez, Chief Operating Officer
James Williams, County Counsel
Tiffany Lennear, Assistant Clerk of the Board
Jackie Maclean, Deputy Director, Office of Supportive Housing

OPINION

Editorial: Unshackle Measure A to Create More Affordable Housing

By *New SV Media* / April 4, 2019

23



Measure A Circus

In 2016, county voters overwhelmingly agreed to tax themselves and spend \$950 million (<https://www.sanjoseinside.com/tag/measurea/>) to address the housing crisis and shelter more than 5,000 homeless persons.

A year later, developers showed up for a November 2017 Santa Clara County Board of Supervisors meeting to receive project approvals but were mugged instead.

County officials surprised homebuilders with an 11th hour requirement that they sign over their properties. “Just, I think, about 45 minutes ago, I agreed to deed over the land to the county for Leigh Avenue,” First Community Housing CEO Geoffrey Morgan said to nervous laughter.

“We learned shortly before the meeting today of the county’s desire to purchase the land,” Cupertino planner Kerri Heusler told the board, adding that the city’s 19 affordable units were financed and on a “tight timeline.”

Somos Mayfair’s Gabriel Hernandez said he was “a little anxious in terms of the development of the Quetzal Gardens Housing Project. We were hoping to have this pass through today, and I’m just wondering why there’s going to be a delay in that. I’m going to have to go back to the families that we’ve been working with and try and explain to them that they’re working out some kind of thing around what we call security interest versus equity interest and ownership.”

Supervisor Cindy Chavez announced from the podium that she would vote down the housing unless the county held title to the lands.

That bullying move certainly wasn’t part of the Measure A language approved by voters. We’re pretty sure they wanted to get as many homeless and mentally ill people out of tents and off the streets—as quickly as possible.

Supervisors Joe Simitian and Mike Wasserman buckled to the political hardball and withdrew their doomed approval motion.

As the projects lurch forward and the housing crisis worsens, supervisors need to make sure the public gets its billion dollars’ worth and that our elected officials maximize the number of roofs over people’s heads. Do we need to wait until another local woman is raped by a tent dweller (<https://www.sanjoseinside.com/2019/02/06/victim-recounts-rape-da-files-charges-suspect-remains-free/>) to realize that mental health and

supportive services are needed now, not years in the future?

Attaching conditions to make it harder to build housing just complicates things. The county has already unnecessarily spent \$12 million to buy the dirt underneath four projects, including Gilroy’s Gateway Senior Apartments and Morgan Hill’s The Crossings on Monterey, and lease it back for \$1 a year. That’s not money well spent, and is inconsistent with the will of the voters.

The county needs to make more deals happen and gain as much leverage as possible on the voter-approved funds. That means forgoing socialist land ownership ideals and supporting inclusionary units in mixed housing projects, rather than just segregating people with severe social problems in homogenized projects that impact neighborhoods.

It also means allowing project-based vouchers to be applied to a broader range of affordable housing options, including housing for teachers, public safety workers and other vital members of the workforce.

With independent Susan Ellenberg now on the board, a back-scratching majority no longer dominates. It’s time for lone Republican Wasserman, the South Valley’s sole representative, to stand up and demand fiscal responsibility with marketplace competition to get the best deals for taxpayers instead of just going with the flow.

Ensuring that the next \$700 million in Measure A money attracts as broad a pool of bidders as possible—by not creating too many restrictions—will be a good test. Micromanagement creates barriers to execution. The supes should focus instead on expanding the housing stock quickly and building as many affordable units as possible rather than getting hung up on who owns the land or gets the vouchers.

To listen to the comments by Supervisor Chavez and housing developers quoted in this article click here to watch (http://sccgov.iqm2.com/Citizens/SplitView.aspx?Mode=Video&MeetingID=8507&Format=Minutes) the video, beginning at 2 hours, 53 minutes into the meeting.

This editorial was published in the Morgan Hill Times and Gilroy Dispatch on April 4.

Share this:

 (<https://www.sanjoseinside.com/2019/04/04/editorial-unshackle-measure-a-to-create-more-housing-for-homeless/?share=twitter>)

 (<https://www.sanjoseinside.com/2019/04/04/editorial-unshackle-measure-a-to-create-more-housing-for-homeless/?share=facebook>)

 (<https://www.sanjoseinside.com/2019/04/04/editorial-unshackle-measure-a-to-create-more-housing-for-homeless/?share=google-plus-1>)

Related

Op-Ed: Saving Buena Vista Mobile Home Park Deserves Celebration
(<https://www.sanjoseinside.com/2017/05/...ed-saving-buena-vista-mobile-home-park-deserves-celebration/>)
May 19, 2017
In "Opinion"

Jails, Homelessness Prioritized in State of the County Speech
(<https://www.sanjoseinside.com/2016/02/...homelessness-prioritized-in-state-of-the-county-speech/>)
February 25, 2016
In "News"

How to Save the General Fund \$10 Million
(<https://www.sanjoseinside.com/2012/12/1...>)
December 17, 2012
In "Business"

Letter: Somos Mayfair Supports County's Land Ownership for Measure A Projects

By Camille Llanes Fontanilla / 5 hours ago

1



Quetzal Gardens is moving forward as 100 percent below-market-rate thanks to the county's Measure A funding.

Dear Editor,

As the executive director of SOMOS Mayfair, I am reaching out to clarify our position on Santa Clara County's Measure A funds and the implementation on critical permanent supportive and affordable housing projects.

A dated comment made in 2017 by one of our staff members was used in a recent editorial piece in your paper, *Editorial: Unshackle Measure A* (<https://www.sanjoseinside.com/2019/04/04/editorial-unshackle-measure-a-to-create-more-housing-for-homeless/>). The statement was made two years ago and does not reflect the status of where the referenced Quetzal Gardens housing project is now.

We are excited to share that the project is moving forward as a 100 percent affordable, mixed-income housing project with units dedicated to rapid rehousing, permanently supportive housing and one- to three-bedroom family units that will serve people making 30 percent to 60 percent of the area median income.

Additionally, 100 percent of the commercial ground space will be dedicated to community benefits, housing SOMOS Mayfair's nonprofit staff and community based programming, as well as supports for our local, family-owned small businesses.




Further, we understand and support the county's position in retaining ownership of the land for Measure A funded projects, as we have unfortunately witnessed examples of nonprofits and organizations going out of business, or changing business models, disrupting service delivery to children and families and affecting the sustainability of programs and community benefits.

Through this mechanism of retaining land ownership, we expect that Measure A funds will support the housing needs voters approved and protect these community benefits over the long haul—irrespective of the developer and operator.

Thank you,

Camille Llanes Fontanilla

Share this:

-  (https://www.sanjoseinside.com/2019/04/08/letter-somos-mayfair-supports-countys-land-ownership-for-measure-a-projects/?share=twitter)
-  (https://www.sanjoseinside.com/2019/04/08/letter-somos-mayfair-supports-countys-land-ownership-for-measure-a-projects/?share=facebook)
-  (https://www.sanjoseinside.com/2019/04/08/letter-somos-mayfair-supports-countys-land-ownership-for-measure-a-projects/?share=google-plus-1)

Related

<p>Santa Clara County OK's \$123M for 1,000 New Affordable Homes</p> <p>(https://www.sanjoseinside.com/2018/12/... clara-county-oks-123m-for-1000-new-affordable-homes/)</p> <p>December 19, 2018</p> <p>In "News"</p>	<p>Editorial: Unshackle Measure A to Create More Affordable Housing</p> <p>(https://www.sanjoseinside.com/2019/04/... unshackle-measure-a-to-create-more-housing-for-homeless/)</p> <p>April 4, 2019</p> <p>In "Opinion"</p>	<p>SJ City Council to Review Series of Affordable Housing Proposals</p> <p>(https://www.sanjoseinside.com/2019/02/... city-council-to-review-series-of-affordable-housing-proposals/)</p> <p>February 4, 2019</p> <p>In "News"</p>
--	--	--

Letter: Measure A protects the public interest

By **submitted** - April 10, 2019



In November 2016, Santa Clara County residents took a bold step in adopting Measure A, a historic investment in housing for our most vulnerable residents. And as the county has begun implementing Measure A, the taxpayers are getting what they were promised—and more.

In just over two years, the county has already invested more than \$234 million in 19 housing developments that will collectively renovate over 480 existing apartments and add over 1,430 new deed-restricted and affordable apartments. Six developments are already under construction, four of which are on pace to open this year (including two new affordable developments in Gilroy and Morgan Hill). All told, we're ahead of schedule on delivering the 4,800 new units that will be constructed through the Measure A bond.

In addition, low- and moderate-income residents throughout Santa Clara County can now apply for down payment assistance through the new bond-funded Empower Homebuyers program, which will help hundreds of families and individuals purchase their first home.

Put simply, Measure A is delivering results and having a catalytic impact on affordable housing here in Santa Clara County. In fact, a recent progress report from the county found that every Measure A dollar spent so far has secured \$2.78 in outside investments.

Unfortunately, recent criticisms of Measure A missed the mark and exclude some important context. So before we start challenging the efficacy of Measure A, it's worth considering the following points:

- Securing public ownership of affordable housing sites is both fiscally responsible and in the public interest. Despite claims to the contrary, seeking ownership of the land does not increase the cost to the taxpayers, as land acquisition is always a part of the total development costs that must be financed. This arrangement just ensures the public secures an asset for the millions in taxpayer dollars being invested in the development. It also ensures that the public can determine how the site is used after the initial affordability covenant expires.

- Project-based vouchers provide the greatest value when allocated to supportive and extremely low-income housing, which require more operational support than other types of affordable housing. Given that we don't have nearly enough vouchers to meet the need in our community, we must allocate them where they can do the most good and provide a reduced rent burden for our lowest income residents.
- While the priority has been appropriately placed on building more supportive housing for people experiencing homelessness, Measure A is also helping a broader array of families and individuals in need. To date, Measure A has funded the construction or rehabilitation of 673 affordable apartments across three different income levels, representing approximately 40 percent of the total Measure A-funded units.
- Finally, Measure A already includes significant flexibility to make projects work. For example, the county did not insist on land ownership for three projects: The Veranda, Villas on the Park and Evans Lane. For the latter two, the City of San Jose will retain ownership of the land. Furthermore, the funding criteria already allows for developers to mix and match different unit types within a development, and the vast majority of projects approved to date will serve a variety of populations.

While Measure A's carefully crafted guidelines might not work for every project, they do ensure that these new developments meet the needs of our community's most vulnerable households.

So, before we begin thinking about changing how we use our Measure A funds, let's make sure we're focused on protecting the public's interest and the people in our community who need our help the most.

Jennifer Loving, president of Destination: Home

Related

Decisions set stage for 2019
January 25, 2019
In "Community"

City receives grant to prevent
tobacco use
January 22, 2019
In "County"

SCC voters help pass Gavilan's
\$248M bond
November 14, 2018
In "News"

Letter to the editor: Villas on the Park

By **submitted** - April 25, 2019



In response to your editorial titled “Unshackle Measure A,” by the end of this year Villas on the Park will be finished.

Located in downtown San Jose, the project will house 83 people who were formerly homeless. Villas is one of the first supportive housing developments in

the region and is funded through the City of San Jose and Santa Clara County's Measure A initiative. Villas is part of the solution to ending homelessness.

Like any affordable or supportive housing development, the process of building is complicated, including who will own the land—the developer, the city or the county? But if supportive housing is being developed, the issue of who owns the land is the least of our concerns. As an agency that is committed to the mission of ending homelessness, we are more concerned about getting people into permanent supportive housing.

We worry about people who are experiencing chronic homelessness and struggling with health concerns. We worry about people who are dying on our streets. We care about the surrounding neighborhood and making sure the community will accept our program and the location of our buildings. We care about increasing the overall quality of life in the neighborhoods that house our buildings. And, we are concerned that our developments have enough supportive services to ensure that our residents will never have to spend another night on the street.

This is how we will end homelessness. This is what we care about.

Megan Colvard, PATH, San Jose

Related

Letter: Measure A protects the public interest
April 10, 2019
In "Featured"

City policies praised by homeless advocate
May 23, 2019
In "Featured"

New housing sought
May 16, 2019
In "News"